

Message Text

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ACTION EB-11

INFO OCT-01 DRC-01 IO-14 ISO-00 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-07 PA-04 RSC-01 AID-20 CIEP-02 SS-20

STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03 FEA-02

OMB-01 SWF-02 AF-10 ARA-16 EA-11 EUR-25 NEA-10 OIC-04

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TAGS: GATT, ETRD, YO

SUBJ: GATT BOP COMMITTEE CONSULTATIONS--YUGOSLAVIA

REF: (A) TSCD 74-12

(B) GENEVA 1831

BEGIN SUMMARY: BOP COMMITTEE CONGRATULATED YUGOSLAVIA
ON RECENT PROGRESS IN RELAXING TRADE AND PAYMENTS BARRIERS.
COMMITTEE AGREED CURRENT LEVEL OF YUGOSLAV IMPORT RESTRIC-
TIONS NOT EXCESSIVE FOR THE MOMENT BUT URGED FURTHER
LIBERALIZATIONS AS SOON AS POSSIBLE. END SUMMARY

1. DURING MARCH 20 FULL GATT BALANCE-OF-PAYMENTS COMMITTEE
CONSULTATIONS, YUGOSLAV DEL SAID EARNINGS ON INVISIBLES
ACCOUNT HAVE LAGGED, WHILE DEBT SERVICING REMAINS HIGH
(19 PERCENT), PRICES OF MANY IMPORTS HAVE INFLATED, AND
THE DOMESTIC ECONOMY CONTINUES UNDERGO INFLATIONARY PRESSURES.
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THIS AND INSTABILITY OF INVISIBLES EARNINGS AS SOURCE OF

FOREIGN EXCHANGE MAKE CONTINUED SURCHARGE NECESSARY. IMF REP SAID TEMPORARY MAINTENANCE OF IMPORT SURCHARGE AND OTHER RESTRICTIONS NOT UNWARRANTED, IN SPITE OF HIGH INTERNATIONAL RESERVES.

2. JAPAN AND US (SPRUCE) SAID WHILE INVISIBLES SUCH AS TOURISM OF COURSE SUBJECT TO FLUCTUATIONS, MERCHANDISE EXPORTS HAVE UNCERTAINTIES AS WELL. FACT THAT A COUNTRY HAS HIGH PERCENTAGE OF EARNINGS IN INVISIBLES IS NOT PRIMA FACIE EVIDENCE OF NEED TO CONTINUE RESTRICTIONS. US CALLED ATTENTION TO IMF STATEMENT THAT ALTHOUGH THERE IS POSSIBILITY OF REDUCED WORKERS' REMITTANCES AND TOURISM AS YEAR UNFOLDS, YUGOSLAV RESERVES STILL HIGH.

3. EC ALSO DREW ATTENTION TO HIGH CURRENT RESERVE LEVEL, AND US AND EC ASKED FOR SPECIFIC BENCHMARK YUGOSLAV AUTHORITIES MIGHT USE TO DETERMINE WHEN RESERVE LEVEL IMPORT SURCHARGE COULD BE ENDED. YUGOSLAVIA SAID THEY UNABLE GIVE SPECIFIC REFERENCE POINT, AS CURRENT OUTLOOK IS THAT OIL IMPORTS WILL COST AN ADDITIONAL \$300 MILLION IN 1974, IN ADDITION TO INFLATION IN IMPORT COSTS OF METALS, CHEMICALS, FOODSTUFFS, AND OTHER RAW MATERIALS. ALSO, EC RESTRICTS MEAT SALES THERE.

4. YUGOSLAVIA SAID CREDIT POLICY WAS BEING EMPLOYED AS ALTERNATE MEANS RESOTORE BOP EQUILIBRIUM. TRADE POLICY INCLUDES CONTINUED GRADUAL BROADENING OF IMPORT QUOTAS, AND SURCHARGE HAS BEEN REDUCED FROM 6 TO 2 PERCENT FOR DEVELOPMENT EQUIPMENT. HOPE HAD BEEN TO ELIMINATE SURCHARGE ENTIRELY BY END OF 1973, BUT "WE ALL KNOW WHAT HAS HAPPENED SINCE THEN. DO NOT BELIEVE ANY GOVERNMENT CAN LIBERALIZE MORE UNTIL INTERNATIONAL SITUATION CLEARS UP". YUGOSLAVIA ALSO POINTED TO RECENT MOVES TOWARD CONVERTIBILITY OF DINAR AND INTENT CONTINUE THAT POLICY. IMPORTS LIVERIALIZED FROM QR REQUIREMENTS EXPANDED FROM 28.4 PERCENT IN 1972 TO 51.6 PERCENT IN 1973; LINKS BETWEEN EXPORTS AND IMPORTS HAVE BEEN ABOLISHED. BILATERAL CLEARING ARRANGEMENTS LIMITED OFFICIAL USE

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MENT REDUCED FORM 18 TO 12 OVER LAST THREE YEARS. ALL TARIFFS OVER 30 PERCENT HAVE BEEN REDUCED BY 30 PERCENT AND TARIFFS OVER 20 PERCENT REDUCED BY 20 PERCENT.

5. US WELCOMED THESE MOVES; US AND EC EXPRESSED CONCERN FOR INCREASED NUMBERS OF TARIFF HEADINGS SUBJECT TO LICENSING, WHICH SEEMED CONTRADICT YUGOSLAV FIGURES ON PERCENTAGE OF IMPORTS LIBERALIZED. YUGOSLAVIA

SAID THIS WAS RECLASSIFICATION TO TAKE CARE OF
BROADENED QUOTAS, BUT ACTUAL TRADE IMPACT IN THESE
CATEGORIES WAS NEGLIGIBLE. UK (SPEAKING SEPARATELY
FROM EC) ASKED EXPLANATION OF PRIOR ACCORDANCE SYSTEM
OF IMPORTS FOR LEATHER, WOOD, AND WALLPAPER, BUT
YUGOSLAVIA UNABLE GIVE DETAILS.

6. CANADA ASKED WHY SPECIAL LEVY HAD RECENTLY BEEN
ADOPTED ON AGRICULTURAL IMPORTS. YUGOSLAVIA SAID IT
WAS INTRODUCED BECAUSE IT WAS "FASHIONABLE AT THE
TIME," THAT OTHER COUNTRIES SUCH AS SWEDEN HAD ALSO
DONE SO, THAT LEVY WAS FOR MARKET STABILIZATIONS AND
NOT BOP PURPOSES. EC DEFENDED CONCEPT OF VARIABLE
AGRICULTURAL LEVY AS NOT EQUIVALENT TO CUSTOMS DUTIES.
US AND JAPAN AGREED WITH CANADA THAT THIS SORT OF LEVY
SHOULD BE ABOLISHED, US THEN NOTED MANY COUNTRIES
TOOK EXCEPTION TO YUGOSLAV AND EC INTERPRETATIONS, BUT
ISSUE WAS SUBJECT FOR DEBATE ELSEWHERE.

7. JAPAN ASKED PURPOSE OF 3 PERCENT TAX OFFSET ON
IMPORTS. YUGOSLAVIA SAID IT WAS GATT-CONSISTENT
BECAUSE SAME RATE APPLIED INTERNALLY. US ASKED PLANS
FOR ATTRACTING LONG-TERM CAPITAL; YUGOSLAVIA SAID IT
REMAINS POLICY TO DO SO, THAT 86 FOREIGN COMPANIES
NOW PARTICIPATING IN JOINT VENTURES AND THIS IS
EVIDENCE MEASURES FOR ATTRACTING CAPITAL ARE FAVORABLE.

8. US PROPOSED AND COMMITTEE ADOPTED COMMENDATION OF
YUGOSLAVIA FOR IMPORT TARIFF LIBERALIZATIONS, FOR
MOVING TOWARD BROADER CONVERTIBILITY OF DINAR, AND
FOR REDUCED RELIANCE ON BILATERAL TRADE AND PAYMENTS
ARRANGEMENTS.

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